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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 and 2008

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 and 2008

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Report of Independent Auditors

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the accompanying basic financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the pension trust fund and required supplementary information schedule as described in note 1 to the financial statements. Those financial statements were audited by other auditors whose report thereon which were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for the pension trust fund, is based upon the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Service District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based upon our audits and report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Service District at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2010 on our consideration of the Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary information on pages 4 through 24 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Service District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
April 29, 2010

P&N

This section of Jefferson Parish Hospital Service District No. 1's (the Service District), a component unit of Jefferson Parish, annual financial report provides important background information and management's analysis of the Service District's financial performance during the years ended December 31, 2009 and 2008. Please read this section in conjunction with the basic financial statements beginning on page 25 and the notes to the basic financial statements beginning on page 32 in this report.

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Year Ended December 31, 2009

The following summarizes the Service District's financial highlights for the year ended December 31, 2009:

- Net patient service revenue increased $4.4 million, or 1.9%, in 2009 compared to the prior year.
- Total operating expenses decreased by $2.5 million, or 1.0%, in 2009 compared to 2008.
- Assets increased by $2.7 million, or 0.8%, in 2009 compared to 2008.
- Long-term debt decreased by $4.7 million, or 2.9%, as the Service District called $24.2 million of debt using cash and proceeds from the issuance of $20.3 million of hospital revenue bonds, as well as principal payments of $1.9 million in 2009.
- Assets of the Service District exceeded liabilities by $149.5 million (net assets) in 2009 compared to $147.5 million in 2008.

Included in 2009 operating results is approximately $3.3 million of funding from the State to partially offset some of the Service District's uncompensated care costs. Also included is approximately $5.2 million in funding from a social services block grant (SSBG). Total amounts from state and federal funding reflected in 2009 operating results were approximately $7.6 million.

Service District - Financial Highlights for the Year Ended December 31, 2008

The following summarizes the Service District's financial highlights for the year ended December 31, 2008:

- Operating results for 2008 reflect the impact of Hurricane Gustav which made landfall on August 31, 2008.
- Net patient service revenue increased $4.5 million, or 2.0%, in 2008 compared to the prior year.
- Total operating expenses increased by $3.6 million, or 1%, in 2008 compared to 2007.
- Assets decreased by $37.6 million, or 9.6%, in 2008 compared to 2007.

- Long-term debt decreased by $32.7 million, or 17%, as the Service District defeased $81.4 million of debt using cash and proceeds from the issuance of $55 million of hospital revenue bonds, as well as principal payments of $6.4 million in 2008.

- Assets of the Service District exceeded liabilities by $147.3 million (net assets) in 2008 compared to $150.9 million in 2007.

As a result of the effects of Hurricane Gustav which made landfall on August 31, 2008, the Service District incurred an estimated decrease in net patient revenue of approximately $4.0 million. The Service District also incurred approximately $3.1 million in direct labor costs, sheltering, facility repairs and other expenses associated with the hurricane. Under the terms of the Service District's casualty and business interruption insurance coverage, the Service District will not be reimbursed for these amounts. The Service District is working with the Federal Emergency Management Agency (FEMA) on requests for reimbursement of incurred eligible expenses and repairs. At December 31, 2008 the Service District has not received from FEMA any reimbursement of eligible Hurricane Gustav expenses and repairs.

Included in 2008 operating results is approximately $6.8 million of funding from the State to partially offset some of the Service District's uncompensated care costs. Also included is approximately $800,000 of Medicare wage index grant funds to partially offset increased labor costs since Hurricane Katrina. Total amounts from State and federal funding reflected in 2007 operating results were approximately $11.9 million.

The Service District continues to work with the Federal Emergency Management Agency (FEMA) to submit claims for reimbursement for qualifying expenses that, due to insurance coverage limitations, were not reimbursed under its casualty or business interruption insurance policies. In 2007, the Service District received approximately $691,000 of reimbursement for its incurred expenses and recorded a receivable of approximately $1.7 million at December 31, 2007, of which $1.5 million was received in January and February 2008.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2009

The Plan's net assets increased by approximately $5.2 million in 2009 due primarily to net appreciation of the market value of Plan assets as well as dividends received. In 2008 the Plan's net assets decreased by approximately $12.3 million primarily due to depreciation of the market value of Plan assets resulting from the market downturn experienced in 2008.

The Plan's employer contribution increased by approximately $408,000 in 2009 and increased by approximately $469,000 in 2008. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $4.9 million in 2009 due to unrealized gains to the equity and money market mutual funds, dividends, and employer contributions. These increases were partially offset by benefits payments and plan administrative expenses. In 2008, Plan investments decreased by approximately $13.1 million due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2008

The Plan's net assets decreased by approximately $12.3 million in 2008 due primarily to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received in 2008 on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below. In 2007 the Plan's net assets increased by approximately $2.9 million primarily due to investment income resulting from the net appreciation of investments as well as dividends received.

The Plan's employer contribution increased by approximately $469,000 in 2008 and decreased by approximately $259,000 in 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

The Basic Financial Statements in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles.

The balance sheets include all of the Service District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Service District creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Service District, and assessing the liquidity and financial flexibility of the Service District.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure changes in the Service District's operations over the current and prior year and can be used to determine whether the Service District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Service District's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements provide both long-term and short-term information about the Service District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Service District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Service District are included in the balance sheets.

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Service District's activities. Increases or decreases in the Service District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Service District's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Service District. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Service District for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund.

The statements are followed by required supplementary information and other supplementary information that further explain and support the information in the financial statements.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2009 and 2008 Balance Sheets - Enterprise Fund

Table 1A presents a summary of the financial changes to the Service District in 2009 as compared to 2008. The Service District's total assets increased by approximately $2.7 million, or 0.8%, from $355.5 million in 2008 to $358.2 million in 2009.

TABLE 1A - *2009* vs. *2008*
Condensed Balance Sheets

	December 31		Dollar	Percent
	2009	2008	Change	Change
Total current assets	$ 75,065,557	$ 77,014,833	$ (1,949,276)	-2.5%
Board-designated investments	104,763,529	98,795,911	5,967,618	6.0%
Trustee-held assets	14,588,059	16,326,296	(1,738,237)	-10.6%
Property, plant, and equipment, net	149,790,593	151,135,967	(1,345,374)	-0.9%
Other assets	14,013,125	12,247,623	1,765,502	14.4%
Total Assets	$ 358,220,863	$ 355,520,630	$ 2,700,233	0.8%
Current Liabilities	$ 46,333,337	$ 43,030,436	$ 3,302,901	7.7%
Long-term debt and other long-term liabilities	162,404,128	164,989,330	(2,585,202)	-1.6%
Total liabilities	208,737,465	208,019,766	717,699	0.3%
Net assets	149,483,398	147,500,864	1,982,534	1.3%
Total liabilities and net assets	$ 358,220,863	$ 355,520,630	$ 2,700,233	0.8%

Current Assets

Current assets decreased by approximately $1.9 million. Patient receivables increased by approximately $3.5 million. This increase was offset by a reduction of approximately $2.0 million in other receivables due to the receipt of the uncompensated care receivable and a decrease in cash and investments required for current liabilities of approximately $2.5 million.

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately $6.0 million. The increase, in part, is directly related to the decrease of approximately $1.7 million in trustee-held assets due to the restructuring of debt.

Property, Plant and Equipment

Table 2A presents the components of property, plant, and equipment at December 31, 2009 and 2008. In 2009, net property, plant, and equipment decreased by approximately $1.3 million, or 0.9%, primarily due to depreciation expense of $17.7 million offset by $14.1 million of new construction costs.

Construction in progress increased approximately $7.6 million, or 121%, primarily due to the purchase of a linear accelerator, technical and property infrastructure upgrades and renovations, as well as software and equipment upgrades.

TABLE 2A
Property, Plant and Equipment

	December 31		Dollar	Percent
	2009	2008	Change	Change
Land and land improvements	$ 21,378,905	$ 20,665,872	$ 713,033	3.5%
Building and fixed equipment	184,312,845	182,031,013	2,281,832	1.3%
Equipment	195,704,874	190,008,640	5,696,234	3.0%
Subtotal	401,396,624	392,705,525	8,691,099	2.2%
Less accumulated depreciation	(265,424,802)	(247,827,506)	(17,597,296)	7.1%
Construction in progress	13,818,771	6,257,948	7,560,823	120.8%
Property, plant, and equipment, net	$ 149,790,593	$ 151,135,967	$ (1,345,374)	-0.9%

In Table 3, the Service District's fiscal year 2010 capital budget includes spending of up to $12.3 million for capital projects (excluding those projects approved in prior years). These projects represent primarily equipment purchases and will be financed from fund balance. More information about the Service District's capital assets is presented in the Notes to the Basic Financial Statements.

TABLE 3
Fiscal Year 2010 Capital Budget

Equipment purchases	$ 8,715,089
Construction / renovations	3,557,089
Prior year approved items	9,702,439
	$ 21,974,617

Long-Term Debt

The Service District had approximately $160.1 million and $164.8 million in debt outstanding which includes the $30.7 million Community Disaster Loan, as of December 31, 2009 and 2008, respectively. In 2009, long-term debt decreased by approximately $4.7 million primarily due to $24.2 million of Hospital Revenue Bonds (Series 2004B) that were called and principal payments of $1.9 million offset by the issuance of the $14.9 million Hospital Revenue Refunding Bonds (Series 2009A-1) and $5.4 million Hospital Revenue Refunding Bonds (Series 2009A-2). More detailed information about the Service District's long-term liabilities is presented in the Notes to Basic Financial Statements. Total long-term debt outstanding represents approximately 45% of the Service District's total assets at December 31, 2009, compared to approximately 46% at December 31, 2008.

Net Assets

Table 4A presents the components of the Service District's net assets at December 31, 2009 and 2008:

TABLE 4A
Components of Net Assets

	December 31		Dollar	Percent
	2009	2008	Change	Change
Invested capital assets, net of related debt	$ 20,440,593	$ 17,076,745	$ 3,363,848	19.7%
Restricted	14,112,190	16,120,427	(2,008,237)	-12.5%
Unrestricted	114,930,615	114,303,692	626,923	0.5%
Total net assets	$ 149,483,398	$ 147,500,864	$ 1,982,534	1.3%

Net assets increased approximately $2.0 million to $149.5 million at December, 31 2009, compared to a decrease of approximately $3.4 million to $147.5 million at December 31, 2008. The 2009 increase was due primarily to operating income recognized in the period of approximately $11.5 million. This income was partially offset by approximately $7.4 million of interest expense. Refer to the pages that follow Table 5 for a discussion of 2009 operations.

2008 and 2007 Balance Sheets – Enterprise Fund

Table 1B represents a summary of the financial changes to the Service District in 2008 as compared to 2007. The Service District's total assets decreased by approximately $37.8 million, or 9.6% to $355.3 million in 2008 compared to $393.1 million in 2007.

Current Assets

Current assets increased by approximately $2.5 million. The increase is primarily due to a $4.3 million increase in cash and cash equivalents reflecting continued emphasis on and efficiencies in collection activities. In addition, designated cash and investments that are required for current liabilities increased by $2.6 million over the prior year due to increases in principal and accrued interest on debt due in 2009 compared to amounts due in 2008. These increases were partially offset by a reduction of approximately $2.9 million in other receivables due to a decrease in uncompensated care receivable from the State and receipt of amounts due from FEMA. Also offsetting the increase was a decrease of approximately $833,000 in prepaid expenses primarily due to a returned deposit for pharmacy inventory.

Board-designated Cash and Investments

Board-designated cash and investments decreased by approximately $29.2 million in 2008 from 2007 due primarily to $30.5 million of cash placed in escrow as part of the defeasance of the Hospital Revenue Bonds (Series 2004A) (Note 5) offset by investment income in the current year.

TABLE 1B - 2008 vs. 2007
Condensed Balance Sheets

	December 31 2008	December 31 2007	Dollar Change	Percent Change
Total current assets	$ 77,014,833	$ 74,496,336	$ 2,518,497	3.4%
Board-designated investments	98,795,911	128,041,744	(29,245,833)	-22.8%
Trustee-held assets	16,326,296	22,690,617	(6,364,321)	-28.0%
Property, plant, and equipment, net	151,135,967	159,931,124	(8,795,157)	-5.5%
Other assets	12,247,623	7,954,264	4,293,359	54.0%
Total Assets	$ 355,520,630	$ 393,114,085	$ (37,593,455)	-9.6%
Current liabilities	$ 43,030,436	$ 40,616,714	$ 2,413,722	5.9%
Long-term debt and other long-term liabilities	164,989,330	201,572,386	(36,583,056)	-18.1%
Total liabilities	208,019,766	242,189,100	(34,169,334)	-14.1%
Net assets	147,500,864	150,924,985	(3,424,121)	-2.3%
Total liabilities and net assets	$ 355,520,630	$ 393,114,085	$ (37,593,455)	-9.6%

Property, Plant and Equipment

The following table presents the components of property, plant, and equipment at December 31, 2008 and 2007. In 2008, net property, plant, and equipment decreased by approximately $8.8 million, or 5.5%, primarily due to depreciation expense of $17.6 million offset by $7.1 million of new construction costs.

Construction in progress decreased approximately $7.6 million, or 55%, due primarily to completion of projects begun in the prior year such as technical and property infrastructure upgrades as well as software and equipment upgrades.

TABLE 2B
Property, Plant and Equipment

	December 31		Dollar	Percent
	2008	2007	Change	Change
Land and land improvements	$ 20,665,872	$ 20,892,843	$ (226,971)	-1.1%
Building and fixed equipment	182,031,013	174,844,855	7,186,158	4.1%
Equipment	190,008,640	181,320,322	8,688,318	4.8%
Subtotal	392,705,525	377,058,020	15,647,505	4.1%
Less accumulated depreciation	(247,827,506)	(230,978,154)	(16,849,352)	7.3%
Construction in progress	6,257,948	13,851,258	(7,593,310)	-54.8%
Property, plant, and equipment, net	$ 151,135,967	$ 159,931,124	$ (8,795,157)	-5.5%

Long-Term Debt

The Service District had approximately $164.8 million and $197.5 million in debt outstanding which includes the $30.7 million Community Disaster Loan, as of December 31, 2008 and 2007, respectively. In 2008, long-term debt decreased by approximately $32.8 million due to the defeasance of the $81.4 million Hospital Revenue Bonds (Series 2004A) and principal payments of $6.4 million offset by the issuance of the $20 million Hospital Revenue Refunding Bonds (Series 2008B-1) and $35 million Hospital Revenue Refunding Bonds (Series 2008B-2). More detailed information about the Service District's long-term liabilities is presented in the Notes to Basic Financial Statements. Total long-term debt outstanding represents approximately 46% of the Service District's total assets at December 31, 2008, compared to approximately 50% at December 31, 2007.

Net Assets

The following table presents the components of the Service District's net assets at December 31, 2008 and 2007:

TABLE 4B
Components of Net Assets

	December 31 2008	December 31 2007	Dollar Change	Percent Change
Invested capital assets, net of related debt	$ 17,076,745	$ (6,846,658)	$ 23,923,403	-349.4%
Restricted	16,120,427	22,491,686	(6,371,259)	-28.3%
Unrestricted	114,303,692	135,279,957	(20,976,265)	-15.5%
Total net assets	$ 147,500,864	$ 150,924,985	$ (3,424,121)	-2.3%

Net assets decreased approximately $3.4 million to $147.5 million at December, 31 2008, as opposed to an increase of approximately $4.1 million to $150.9 million at December 31, 2007. The 2008 decrease was due primarily to operating losses recognized in the period of approximately $337,000, decreases in grants, donated assets, and capital contributions of approximately $1.9 million, and approximately $3.6 million of settlement expenses. Refer to the pages that follow Table 5 for a discussion of 2008 operations.

2009 and 2008 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues and Expenses in Table 5 for 2009 and 2008.

Overall, net patient service revenue increased by approximately $4.4 million, or 1.9%, for fiscal year 2009 when compared to an increase of $4.5 million, or 2.0%, in 2008 over 2007.

Inpatient gross revenue increased by approximately 2.6% in 2009 compared to the prior year. While inpatient admissions and patient days decreased compared to 2008 (as discussed below), the Service District again experienced an increase in the volume of neurology and vascular procedures.

Total inpatient admissions decreased by approximately 3.7% to 16,488 in the current year with general acute inpatient admissions decreasing by approximately 4.6% to 14,546. Total patient days decreased by approximately 2.7% to 84,686 with general acute patient days decreasing by approximately 3.2% to 69,285. In addition, total average daily census decreased by approximately 2.9% to 189.8 days compared to 2008.

Outpatient gross revenue decreased by approximately 3.1% in 2009 compared to 2008. The decrease in outpatient gross revenue is attributable to decreases in outpatient infusion therapy and the discontinuation of the air ambulance.

Total gross emergency room visits increased by approximately 5.7% to 56,857 visits in 2009 compared to 2008, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) increased by almost 7.6% over the prior year. Clinic visits of 88,457 increased by approximately 12.8% compared to 2008.

TABLE 5
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2009	2008	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	$ 233,895,802	229,530,257	$ 4,365,545	1.9%
Other operating revenue	20,529,870	14,872,093	5,657,777	38.0%
Total operating revenue	254,425,672	244,402,350	10,023,322	4.1%
Operating expenses:				
Salaries and wages	89,888,694	86,976,716	2,911,978	3.3%
Employee benefits	20,406,622	20,431,119	(24,497)	-0.1%
Professional fees	19,682,870	20,487,212	(804,342)	-3.9%
Medical and general supplies	47,346,832	45,863,918	1,482,914	3.2%
Purchased services	31,800,742	35,733,746	(3,933,004)	-11.0%
Other expenses	15,088,566	17,403,359	(2,314,793)	-13.3%
Depreciation	17,739,639	17,601,181	138,458	0.8%
Total operating expenses	241,953,965	244,497,251	(2,543,286)	-1.0%
Operating income (loss)	12,471,707	(94,901)	12,566,608	-13241.8%
Total investment income (loss)	(1,550,228)	7,587,479	(9,137,707)	-120.4%
Interest expense, net	(7,408,587)	(5,083,524)	(2,325,063)	45.7%
Settlement expense	-	(3,563,918)	3,563,918	-100.0%
Other	68,913	13,758	55,155	400.9%
Assessments by Jefferson Parish and support to others	(1,599,271)	(2,283,015)	683,744	-29.9%
Change in net assets	1,982,534	(3,424,121)	5,406,655	-157.9%
Net assets, beginning of year	147,500,864	150,924,985	(3,424,121)	-2.3%
Net assets, end of year	$ 149,483,398	$ 147,500,864	$ 1,982,534	1.3%

The Service District derived approximately 92% and 94% in 2009 and 2008 respectively, of its total net operating revenue from patient services. The Service District has historically generated revenue from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities resulted in changes to the Service District's payor mix.

Table 6 below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2009 and 2008.

Table 6
Payor Mix

	2009	2008
Managed care/commercial	29%	29%
Medicare	26%	26%
Medicare HMO	19%	18%
Medicaid	14%	15%
Self-pay and other	12%	12%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7
ALLOWANCE SUMMARY

	Years Ended December 31	
	2009	**2008**
Contractual Allowances		
Managed care and commercial accounts	$ 295,462,344	$ 281,571,396
Medicaid contractual allowances	116,529,236	111,390,254
Medicare contractual allowances	168,411,453	152,819,307
Total contractual allowances	580,403,033	545,780,957
Doubtful accounts	28,490,959	24,336,550
	$ 608,893,992	$ 570,117,507

During 2009, the Service District's doubtful accounts expense increased by approximately $4.2 million in 2009 compared to the prior year due primarily to the reduction in UUC funds.

During 2008, with the increase in gross patient service revenue as well as periodic review of its methodology used to estimate the allowance for doubtful accounts, the Service District's doubtful accounts expense increased by approximately $4.9 million in 2008 compared to the prior year.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Service District's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services.

Other operating revenue increased by approximately $5.7 million, or 38%, in 2009 compared to the prior year. The increase is primarily due to the receipt of approximately $5.2 million in social services block grants (SSBG).

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Other Non-Operating Income (Expenses)

Net interest expense increased by $2.3 million, or 46%, compared to the prior year, primarily due to the termination of the interest rate swap agreements.

The Service District had a net investment loss of approximately $1.6 million in 2009 compared to net investment income of $7.6 million in 2008 primarily due to losses throughout the year as well a mark to market adjustment at year end of approximately $2.3 million.

Operating Expenses

Salaries and wages increased $2.9 million, or 3%, compared to 2008. The increase is due in part to the hiring of more employees resulting in a decrease of approximately $2.2 million in contract labor expense.

Professional fees decreased by approximately $804,000, or 4%, compared to the prior year primarily due to decreases in contract labor of approximately $2.2 million which were partially offset by increases in graduate medical education ("GME") expenses of approximately $616,000.

Medical and general supplies expense increased by approximately $1.5 million, or 3% in the current year, due to increases in medical supply expense in the operating room and special procedures inventory. While the overall volume of surgeries decreased in the current year, more complex surgeries were performed in the current year. The Service District again experienced an increase in the volume of neurology and vascular procedures.

Purchased services decreased by $3.9 million, or 11%, in the current year primarily due to the elimination of the air ambulance and the conclusion of the nursing school program. The purchased services in 2008 were directly attributable to Hurricane Gustav.

Other expenses decreased by $2.3 million, or 13%, compared to the prior year. The decrease is primarily due to decreases in professional liability and other insurance expense as well as utilities expenses.

2008 and 2007 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues and Expenses in Table 8 for 2008 and 2007.

Overall, net patient service revenue increased by approximately $4.5 million, or 2.0%, for fiscal year 2008 when compared to 2007.

TABLE 8
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2008	2007	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	229,530,257	224,997,989	$ 4,532,268	2.0%
Other operating revenue	14,872,093	18,778,535	(3,906,442)	-20.8%
Total operating revenue	244,402,350	243,776,524	625,826	0.3%
Operating expenses:				
Salaries and wages	86,976,716	92,003,260	(5,026,544)	-5.5%
Employee benefits	20,431,119	20,308,087	123,032	0.6%
Professional fees	20,487,212	21,349,109	(861,897)	-4.0%
Medical and general supplies	45,863,918	43,695,856	2,168,062	5.0%
Purchased services	35,733,746	34,479,003	1,254,743	3.6%
Other expenses	17,403,359	12,052,718	5,350,641	44.4%
Depreciation	17,601,181	17,054,663	546,518	3.2%
Total operating expenses	244,497,251	240,942,696	3,554,555	1.5%
Operating income (loss)	(94,901)	2,833,828	(2,928,729)	-103.3%
Total investment income	7,587,479	8,850,230	(1,262,751)	-14.3%
Interest expense, net	(5,083,524)	(6,968,467)	1,884,943	-27.0%
Settlement expense	(3,563,918)	-	(3,563,918)	0.0%
Other	13,758	1,888,735	(1,874,977)	-99.3%
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)	260,554	-10.2%
Change in net assets	(3,424,121)	4,060,757	(7,484,878)	-184.3%
Net assets, beginning of year	150,924,985	146,864,228	4,060,757	2.8%
Net assets, end of year	$ 147,500,864	$ 150,924,985	$ (3,424,121)	-2.3%

Inpatient gross revenue increased by approximately 1% in 2008 compared to the prior year. While inpatient admissions and patient days decreased compared to 2007 (as discussed below), the Service District experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Total inpatient admissions decreased by approximately 3% to 17,117 in the current year with general acute inpatient admissions decreasing by approximately 4% to 15,253. Total patient days decreased by approximately 5% to 87,035 with general acute patient days decreasing by approximately 6.9% to 71,569. In addition, total average daily census decreased by approximately 7.1% to 195.5 days compared to 2007.

Outpatient gross revenue increased by approximately 3% in 2008 compared to 2007. The increase in outpatient gross revenue is attributable to increases in emergency room visits, outpatient CyberKnife treatments, outpatient infusion therapy, PET CT scan volumes and hyperbarics volumes. In addition, the Service District experienced increases in outpatient physical, occupational and speech therapy volumes.

Total gross emergency room visits increased by 3% to 53,973 visits in 2008 compared to 2007, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) increased by almost 4% over the prior year. Clinic visits of 78,454 decreased by 2.5% compared to 2007.

The Service District derived approximately 95% and 93% in 2008 and 2007 respectively, of its total net operating revenue from patient services. The Service District's revenue has historically generated from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. In the immediate aftermath of Hurricane Katrina, all but the Service District and two other hospitals were closed in the New Orleans metropolitan area. In the interim, as other hospitals and medical facilities reopened, the Service District experienced an increase in the number of patients drawn from other communities in the New Orleans metropolitan area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities also resulted in changes to the Service District's payor mix. Self-pay patient revenues experienced major increases in late 2005 and 2006.

Table 9 below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2008 and 2007.

Table 9

PAYOR MIX

	2008	2007
Managed care/commercial	29%	31%
Medicare	26%	26%
Medicare HMO	18%	15%
Medicaid	15%	18%
Self-pay and other	12%	10%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. During 2008, with the increase in gross patient service revenue as well as periodic review of its methodology used to estimate the allowance for doubtful accounts, the Service District's doubtful accounts expense increased by approximately $4.9 million in 2008 compared to the prior year.

In 2007, the doubtful accounts decreased by $15,824,147 compared to 2006 due primarily to a continued emphasis on assisting uninsured patients to apply and qualify for Medicaid benefits, increased collection efficiency in 2007 and due a revision of its estimates of the allowance for doubtful accounts based on review of more recent collection data. Also reflected in the decrease in doubtful accounts in 2007 was $8.2 million of partial funding for uncompensated care which is recorded as a reduction of bad debt. Had these partial funding amounts not been recorded in 2007 doubtful accounts in 2007 would have been approximately $27.6 million.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Service District's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services.

Other operating revenue decreased by approximately $3.7 million, or 23%, in 2008 compared to the prior year. The decrease is primarily due to recording in 2007 the proceeds from the settlement of the Service District's Hurricane Katrina-related claims under its property and business interruption insurance coverage.

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Operating Expenses

Salaries and wages decreased approximately $5.0 million, or 5%, compared to 2007. The decrease is primarily due to position control and appropriate staffing to volumes which resulted in lower paid and worked full-time equivalent employees (FTEs).

Employee benefits increased by approximately $123,000, or 0.6%, in 2008 compared to the prior year due primarily to an increase in pension expense which was offset by decreases in payroll and other taxes and benefits expenses.

Professional fees decreased by approximately $862,000, or 4%, compared to the prior year primarily due to decreases in graduate medical education ("GME") expenses as well as a decrease in legal expenses.

Medical and general supply expense increased by approximately $2.2 million, or 5%, due to increases in medical supply expense in the OR and in Special Procedures. While the overall volume of surgeries decreased in the current year, more complex surgeries were performed in the current year. In addition, the Service District experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Purchased services increased by approximately $1.3 million, or 4%, in the current year primarily due to an increase in repairs and maintenance expenses, some of which were directly attributable to Hurricane Gustav (as discussed above) as well as an increase in maintenance contracts for computer software and hardware. Also contributing to the increase were increased costs in the overall purchased services account, some of which were also directly related to Hurricane Gustav, as well as an increase in medical purchased services. The increases noted above were partially offset by a 47% decrease in contract labor expense as the Service District continues efforts to reduce reliance on contract labor.

Other expenses increased by approximately $5.4 million, or 44%, compared to the prior year. The increase is primarily due to increases in professional liability and other insurance expense as well as utilities expenses. In addition, the Service District increased its advertising expenses in an effort to promote its services to the community.

Net interest expense decreased by approximately $1.9 million, or 27%, compared to the prior year primarily due to a net interest reduction recorded on the termination of the 2004A total return swap as a result of the defeasance of the Series 2004A Hospital Revenue bonds.

Non-Operating Expenses

Settlement Expense

In October 2008, the Service District agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Service District improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Service District did not admit liability, the Service District agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Service District paid a combined total of approximately $3.56 million to the federal government and the State of Louisiana. In addition, the Service District entered into a compliance agreement with the federal government to continue implementation of the Service District's compliance program and to comply with reporting requirements contained in the compliance agreement.

Pension Trust Fund

2009 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2009 was approximately $50.1 million, a 11.6% increase from December 31, 2008 (see table A-10). Plan net assets decreased by $5.2 million from 2008 primarily due to net appreciation of the market value of plan assets. The increase in market value of the plan's assets was partially offset by benefit payments.

Table A-10
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2009	2008	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 47,353,596	$ 42,449,333	$ 4,904,263	11.6%
Receivables	2,797,848	2,491,313	306,535	12.3%
Total assets	50,151,444	44,940,646	5,210,798	11.6%
Total liabilities	7,342	6,721	621	9.2%
Plan net assets	$ 50,144,102	$ 44,933,925	$ 5,210,177	11.6%

2008 Plan Net Assets

The Service District's total plan net assets of its pension trust fund at December 31, 2008 was approximately $44.9 million, a 21.5% decrease from December 31, 2007 (see table A-11). Plan net assets decreased by $12.3 million from 2007 net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

Table A-11
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 42,449,333	$ 55,499,338	$ (13,050,005)	-23.5%
Receivables	2,491,313	2,042,846	448,467	22.0%
Total assets	44,940,646	57,542,184	(12,601,538)	-21.9%
Total liabilities	6,721	319,133	(312,412)	-97.9%
Plan net assets	$ 44,933,925	$ 57,223,051	$ (12,289,126)	-21.5%

2009 Changes in Plan Net Assets

Table A-12 presents as summary of changes in Plan net assets for the year ended December 31, 2009. Contributions to the pension plan increased in 2009 as compared to 2008. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The decrease in plan net assets of $5.2 million was primarily due to net appreciation of the market value of plan assets as well as dividends received.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $4.9 million in 2009 due to investment income and employer contributions which were partially offset by benefits payments and plan administrative expenses. In 2008, Plan investments decreased by approximately $13.1 million due to unrealized losses to the equity and money market mutual funds resulting from the market downturn, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions.

Table A-12
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2009	2008	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 2,741,401	$ 2,333,775	$ 407,626	17.5%
Net income on investments	6,737,413	(10,623,265)	17,360,678	-163.4%
Total additions	9,478,814	(8,289,490)	17,768,304	-214.3%
Deductions:				
Administrative expenses	(103,241)	(139,198)	35,957	-25.8%
Benefits	(4,165,396)	(3,860,438)	(304,958)	7.9%
Total deductions	(4,268,637)	(3,999,636)	(269,001)	6.7%
Change in net assets	5,210,177	(12,289,126)	17,499,303	-142.4%
Plan net assets, beginning of year	44,933,925	57,223,051	(12,289,126)	-21.5%
Plan net assets, end of year	$ 50,144,102	$ 44,933,925	$ 5,210,177	11.6%

2008 Changes in Plan Net Assets

Table A-13 presents as summary of changes in Plan net assets for the year ended December 31, 2008. Contributions to the pension plan increased in 2008 as compared to 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The decrease in plan net assets of $12.3 million resulted primarily due to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 million due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

Table A-13
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 2,333,775	$ 1,864,390	$ 469,385	25.2%
Net income on investments	(10,623,265)	3,671,655	(14,294,920)	-389.3%
Total additions	(8,289,490)	5,536,045	(13,825,535)	-249.7%
Deductions:				
Benefits	(3,860,438)	(2,478,313)	(1,382,125)	55.8%
Administrative expenses	(139,198)	(186,842)	47,644	-25.5%
Total deductions	(3,999,636)	(2,665,155)	(1,334,481)	50.1%
Change in net assets	(12,289,126)	2,870,890	(15,160,016)	-528.1%
Plan net assets, beginning of year	57,223,051	54,352,161	2,870,890	5.3%
Plan net assets, end of year	$ 44,933,925	$ 57,223,051	$(12,289,126)	-21.5%

ECONOMIC FACTORS

Year ended December 31, 2009

In 2009 the Service District continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability.

Approximately 14% of the charges billed for patient services are billed to Medicaid. The state of Louisiana has been struggling to balance its budget and can only reduce funding to healthcare and higher education, the only undedicated state funds. With shrinking Medicaid funds available, the state has cut the Medicaid reimbursement to hospitals four times since May 1, 2009, with another cut proposed for the state fiscal year 2011. It is clear that hospitals cannot sustain operations without making changes. The Medicaid per diem rates established by the Louisiana Department of Health and Hospitals are specific to each hospital and have significant disparities between hospitals. The state run facilities as, well as rural hospitals, which are protected by the Rural Hospital Preservation Act, have not experienced these cuts. Another factor contributing to the state Medicaid shortfalls is related to the temporary federal stimulus package ending December 31, 2010, at which time the federal government will decrease the Federal Medical Assistance Percentages (FMAP) rate for Louisiana from 80% to 63%. The Service District continues to work with its legislative delegation and others to obtain funding that may partially offset the impact of reductions in Medicaid reimbursement.

In early 2010, Congress approved sweeping changes to the delivery of healthcare, and on March 23, 2010, the Patient Protection and Affordable Care Act was signed into law by President Obama. Significant decreases in Medicare funding to hospitals will be used to partially fund the new healthcare system. Some of the changes will be implemented quickly while others will not be implemented unit 2014 or later. The affects of the changes are unknown, but the following is expected: increased Medicaid population, decreased Medicare reimbursement, and establishment of a high-risk pool insurance.

Year ended December 31, 2008

In 2008 the Service District continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability.

As noted above, the Service District's 2008 net revenue and operating expenses were impacted by Hurricane Gustav. While the net revenue impact and increased expenses will not be recovered from insurance, the Service District is working with FEMA on reimbursement of eligible expenses.

The Service District and other area healthcare providers continue to face challenges in obtaining uncompensated care reimbursement. The total funds made available from the state for this purpose have continued to decline since Hurricane Katrina. In addition, the state has projected budget shortfalls. Among other remedies to reduce the projected budget shortfall, the state reduced Medicaid reimbursement by 3.5% effective February 20, 2008 through the end of the state fiscal year (SFY) in June 2009. The state also proposed an additional reduction of 7.2% in Medicaid reimbursement in SFY 2010. The Service District continues to work with its legislative delegation and others to obtain funding that may partially offset the impact of reductions in Medicaid reimbursement in SFY 2009 and SFY 2010.

Contacting the Service District's Administration

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Service District's finances and demonstrate the Service District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Service District's Administration at (504) 349-1100.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
Current Assets:		
Cash and cash equivalents	$ 12,467,793	$ 14,716,101
Receivables:		
Patient accounts receivable, net	42,220,160	38,750,558
Other receivables	2,838,345	4,104,794
Inventory	4,788,879	4,527,021
Prepaid expenses	6,423,940	6,121,540
Designated cash and investments and that are required *for current liabilities*	6,326,440	8,794,819
Total current assets	75,065,557	77,014,833
Designated cash and investments:		
By board for specific purposes, at fair value	111,089,969	107,590,730
Trustee-held assets, at fair value	14,588,059	16,326,296
Total designated cash and investments	125,678,028	123,917,026
Less amounts required for current liabilities	(6,326,440)	(8,794,819)
Noncurrent designated cash and investments	119,351,588	115,122,207
Property, plant, and equipment, net	149,790,593	151,135,967
Other assets:		
Unamortized financing costs	8,337,456	7,584,565
Prepaid deferred compensation	341,007	166,229
Other	5,334,662	4,496,829
Total other assets	14,013,125	12,247,623
Total assets	$ 358,220,863	$ 355,520,630

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
BALANCE SHEETS, CONTINUED
DECEMBER 31, 2009 AND 2008

LIABILITIES AND NET ASSETS	2009	2008
Current liabilities:		
Accounts payable	$ 10,896,060	$ 9,361,168
Accrued expenses	23,303,000	21,966,670
Patient deposits and credit balances	3,661,007	1,823,600
Due to government health care programs	2,146,830	1,084,179
Bond interest payable	1,941,440	2,149,819
Current installments of long-term debt	4,385,000	6,645,000
Total current liabilities	46,333,337	43,030,436
Accrued malpractice claims	3,141,920	4,294,390
Accrued deferred compensation	341,007	166,229
Interest payable, long-term	3,243,701	2,401,989
Long-term debt, net of original issue discount	155,677,500	158,126,722
Total liabilities	208,737,465	208,019,766
Net assets:		
Invested in capital assets, net of related debt	20,440,593	17,076,745
Restricted	14,112,190	16,120,427
Unrestricted	114,930,615	114,303,692
Total net assets	149,483,398	147,500,864
Total liabilities and net assets	$ 358,220,863	$ 355,520,630

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Net patient service revenue	$ 233,895,802	$ 229,530,257
Earnings from joint ventures	1,298,402	1,661,406
Other operating revenue	19,231,468	13,210,687
Total operating revenue	254,425,672	244,402,350
OPERATING EXPENSES:		
Salaries and wages	89,888,694	86,976,716
Employee benefits	20,406,622	20,431,119
Professional fees	19,682,870	20,487,212
Medical and general supplies	47,346,832	45,863,918
Purchased services	31,800,742	35,733,746
Other expenses	15,088,566	17,403,359
Depreciation	17,739,639	17,601,181
Total operating expenses	241,953,965	244,497,251
Operating income (loss)	12,471,707	(94,901)
INVESTMENT INCOME AND OTHER NONOPERATING INCOME (EXPENSES):		
Investment income (loss)	(1,550,228)	7,587,479
Interest expense	(7,408,587)	(5,083,524)
Settlement expense (Note 7)	-	(3,563,918)
Donated assets	68,913	13,758
Total investment income and other nonoperating income	(8,889,902)	(1,046,205)
Gain (loss) before assessments by Jefferson Parish and support to others	3,581,805	(1,141,106)
Assessments by Jefferson Parish and support to others	(1,599,271)	(2,283,015)
Changes in net assets	1,982,534	(3,424,121)
Net assets, beginning of year	147,500,864	150,924,985
Net assets, end of year	$ 149,483,398	$ 147,500,864

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Revenue collected	$ 255,009,114	$ 247,742,093
Cash payments to employees and for employee-related costs	(110,843,686)	(107,956,205)
Cash payments for operating expenses	(111,238,563)	(118,748,484)
Net cash provided by operating activities	32,926,865	21,037,404
NON-CAPITAL FINANCING ACTIVITIES		
Operating grants	-	174,312
Proceeds from donations	769,013	13,758
Assessments by Jefferson Parish	(1,599,271)	(2,283,015)
Settlement payment	-	(3,563,918)
Net cash used in noncapital financing activities	(830,258)	(5,658,863)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments	(5,233,980)	(5,148,918)
Capital expenditures	(17,794,310)	(8,806,024)
Capital contributions	-	744,355
Proceeds from issuance of debt	20,275,000	55,000,000
Principal and defeasance payments on borrowings	(26,045,000)	(87,815,000)
Bond financing costs and other required payments (Note 5)	(1,269,363)	(6,403,850)
Net cash used in capital and related financing activities	(30,067,653)	(52,429,437)
INVESTING ACTIVITIES		
Purchases of investments	(49,609,512)	(1,668,784,948)
Proceeds from sales and maturities of investments	47,848,510	1,701,779,647
Investment income and other	(2,516,260)	8,356,793
Net cash provided by (used in) investing activities	(4,277,262)	41,351,492
Net increase (decrease) in cash and cash equivalents	(2,248,308)	4,300,596
Cash and cash equivalents, beginning of year	14,716,101	10,415,505
Cash and cash equivalents, end of year	$ 12,467,793	$ 14,716,101
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Equity contribution of property to West Jefferson Industrial Medicine, LLC	$ 700,000	$ -

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 12,471,707	$ (94,901)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	17,739,639	17,601,181
Bad debt expense	28,490,959	24,336,550
Amortization of non-compete agreement	106,981	213,962
(Income) loss on other investments	(20,821)	89,008
Changes in operating assets and liabilities:		
Accounts receivable, net	(30,123,154)	(23,198,945)
Inventory and prepaid expenses	(564,258)	422,049
Other receivables	1,488,023	2,191,799
Accounts payable	1,534,892	(4,062,234)
Accrued expenses and other liabilities	1,139,204	3,667,921
Net reconciling items from joint ventures	663,693	(128,986)
Net cash provided by operating activities	$ 32,926,865	$ 21,037,404

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF PLAN NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2009 AND 2008

	2009	2008
Assets:		
Receivables:		
Accrued dividends	$ 56,447	$ 157,538
Employer contributions receivable	2,741,401	2,333,775
Total receivables	2,797,848	2,491,313
Investments		
Cash equivalents	787,477	2,675,940
Equity mutual funds	27,670,159	21,023,635
Fixed income mutual funds	18,895,960	18,749,758
Total investments	47,353,596	42,449,333
Total assets	50,151,444	44,940,646
Liabilities:		
Accrued trust fees	7,342	6,721
	7,342	6,721
Plan net assets available for pension benefits	$ 50,144,102	$ 44,933,925

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Additions:		
Employer contributions	$ 2,741,401	$ 2,333,775
Investment income (loss):		
Dividends	1,029,653	1,801,344
Net appreciation (depreciation)	5,707,760	(12,424,609)
Total investment income (loss):	6,737,413	(10,623,265)
Total additions	9,478,814	(8,289,490)
Deductions:		
Administrative expenses	(103,241)	(139,198)
Benefits	(4,165,396)	(3,860,438)
Total deductions	(4,268,637)	(3,999,636)
Change in plan net assets	5,210,177	(12,289,126)
Plan net assets at beginning of year	44,933,925	57,223,051
Plan net assets at end of year	$ 50,144,102	$ 44,933,925

The accompanying notes are an integral part of these statements.

1. Organization and Significant Accounting Policies

Organization

The combined basic financial statements include the accounts of the following entities:

West Jefferson Medical Center (the Medical Center) is a Louisiana hospital service district, which is a political subdivision of the State of Louisiana. On April 11, 1956, the Jefferson Parish Police Jury, then the governing authority of Jefferson Parish, adopted Ordinance No. 3121 (the "Enacting Ordinance"). The Enacting Ordinance specifically provides that it was adopted pursuant to Charter 10 of Title 46 of the Louisiana Revised Statutes of 1950 which legislatively authorized the governing authority of a parish within the State to, in its discretion, create hospital service districts. Section 2 of the Enacting Ordinance specifically provides that the name of this new hospital service district shall be "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana". Thus, on April 11, 1956, the "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana" (hereafter the "District") was created. The District does business as West Jefferson Medical Center and operates an acute care hospital, physician clinics, medical office buildings, and health and fitness centers. The Medical Center is exempt from federal and state income taxes. The Medical Center has a 50% interest in Associated Hospital Services, a laundry service provider, which is accounted for under the equity method. The Medical Center also has a 27.6% interest in West Jefferson Radiosurgery, LLC and accounts for it using the equity method. Separate financial statements for each of these organizations can be obtained from the Medical Center. The Medical Center reporting entity includes the hospital enterprise fund and a pension trust fund.

West Jefferson Service Corporation (the Service Corporation) is a non-profit corporation which is a component of the Jefferson Parish Hospital District No. 1. The Service Corporation was organized in December 1986 upon the filing with the Louisiana Secretary of State of its Articles of Incorporation. The Service Corporation has a 50% interest in the following entities accounted for under the equity method: West Jefferson MRI, LLC, West Jefferson Surgery Center, LLC, West Jefferson CT Scan, LLC, and West Jefferson Industrial Medicine, LLC. The Service Corporation also has a 64.4% interest in West Jefferson Radiosurgery, LLC and accounts for it using the equity method. Separate financial statements for each of these organizations can be obtained from the Service Corporation. The Service Corporation is exempt from federal and state income taxes.

The Medical Center and the Service Corporation are collectively referred to as the Service District. There are no other organizations or agencies whose financial statements should be combined and presented with these combined basic financial statements.

Basis of Accounting

The Service District's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (the pension trust fund). The operations of the Service District are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Service District's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects and unrestricted. The Service District's restricted assets are expendable for their purposes. The Service District utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Service District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Operating revenues include all charges for service; other revenues include non-operating revenues. The enterprise fund is presented in the government-wide financial statements. The Service District uses the accrual basis of accounting for proprietary funds. Under Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, the Service District has elected not to apply Financial Accounting Standards Service District pronouncements issued after November 30, 1989. As a governmental entity, the Service District also follows certain accounting and disclosure requirements promulgated by the GASB.

Fiduciary Fund Type

The fiduciary fund, the Retirement Plan for Employees of West Jefferson Medical Center (the Plan), is used to account for assets held by the Service District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Service District maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Service District's employee retirement plan. The pension trust fund is presented in the fund financial statements. Additional information on the pension trust fund is presented in note 8.

Operating and Non-operating Revenue

The Service District's primary purpose is to provide diversified health care services to individuals, physicians, and businesses. As such, activities related to the ongoing operations of the Service District are classified as operating revenue. Operating revenue includes amounts generated from direct patient care, related support services, earnings from joint venture investments, gains or losses from disposition of operating properties, and sundry revenue related to the operation of the Service District. Interest income from trustee-held investments is reported as a net component of interest expense. Additionally, rental income, gains and losses that are directly related to the ongoing operations of the Service District, and gifts, grants, and bequests not restricted by donors for specific purposes are reported as a component of other operating revenue. Investment income, realized and unrealized gains (losses) from board-designated investments, as well as donated assets are reported as a component of nonoperating income.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding designated cash and investments by board designation or other arrangements under trust agreements or with third-party payers. Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party pay or receivables or payables. As of December 31, 2009 and 2008, the allowance for doubtful accounts approximated $25.0 million and $23.6 million, respectively.

Investments

Investments are carried at fair value and all investment income, including changes in the fair value of investments is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets.

Designated Cash and Investments

Designated cash and investments include cash, cash equivalents, and investments. These assets are designated as such in the accompanying Balance Sheets as they are held by bond trustees under related indenture agreements or designated as such by the board of directors. Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost or market. The cost for drug inventory and operating room special order supplies is determined using the first-in, first-out method. The cost for supplies is determined using the weighted-average method.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if donated, at fair value at the date of receipt, if known. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-10 years
Minor equipment	3-5 years

The Service District recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. The restoration or replacement of an impaired capital asset is reported as a separate transaction from the associated insurance recovery. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss occur in the same year. Insurance recoveries reported in subsequent years are reported as non-operating revenue.

Unamortized Financing Costs

Deferred financing costs are amortized over the period the obligation is expected to be outstanding using the straight-line method.

Other Assets

Other assets consist primarily of the Service District's ownership interest in a laundry cooperative and an ownership interest in a radiosurgery entity, which are carried under the equity method.

Net Assets

The Service District classifies net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These components are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net assets. Rather, that portion of debt is included in the same component of net assets as the unspent proceeds. At December 31, 2009 and 2008, there was no debt included in invested in capital assets, net of related debt.

Restricted - This component reports those net assets with externally imposed constraints placed on their use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component reports net assets that do not meet the definition of either of the other two components.

Net Patient Service Revenue

Substantially all of the Service District's net patient service revenue is earned under agreements with third-party payors. Under these agreements, the Service District provides medical services to government program beneficiaries and other third-party payers, such as health maintenance organizations, at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Service District's provision for bad debts is classified as a reduction to net patient service revenue.

A summary of net patient revenue for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Gross patient service revenue	$ 842,789,795	$ 799,647,764
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	590,403,034	545,780,957
Less provision for bad debts	28,490,959	24,336,550
Net patient revenue	$ 223,895,802	$ 229,530,257

The Service District is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Service District. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 40% and 41% for 2009 and 2008, respectively.

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. These adjustments resulted in increases to net patient service revenue of approximately $975,000 and $997,000, respectively, in 2009 and in 2008. Estimated settlements through December 31, 2009, for the Medicaid and Medicare programs have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the estimates.

The effect of any adjustments that may be made to cost reports still subject to review will be reported in the Service District's financial position or results of operations as such determinations are made. For the year ended December 31, 2009, the Medical Center did not require an adjustment for the current year cost report.

Fair Value of Financial Instruments

Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated third-party payor settlements, and other current liabilities. The Service District's investments and assets limited as to use are carried at fair value on the combined balance sheets. Based on borrowing rates currently available to the Service District with similar terms and maturities, the fair value of the long-term debt approximated $160.1 and $164.8 million as of December 31, 2009 and 2008, respectively.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Actual results could differ from those estimates.

Pension Trust

Employer contributions are recognized as revenues in the period in which employee services are performed. The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined by quoted market prices, as available. Dividend income is recognized when earned. All administrative expenses of the Plan are paid by the Plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the services employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances (retirement, death, disability, termination or employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2009 and 2008 were (a) life expectancy of participants (1994 and 1984 Unisex Pension Mortality Tables were used for 2009 and 2008, respectively), (b) retirement age assumptions, and (c) investment return. The 2009 and 2008 valuations included assumed average rates of return of 8.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

2. Cash and Investments

At December 31, 2009 and 2008, the Service District's cash consisted of demand deposits with bank balances of $16,612,555 and $20,475,182, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Service District in its name.

The composition of designated cash and investments at December 31, 2009 and 2008, is set forth in the following tables.

2009	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 28,913	$ 111,061,057	$ 111,089,970
1998 Bond Issue:			
Improvement Fund	-	205,579	205,579
Reserve Fund	-	3,225,893	3,225,893
Interest Fund	-	2,982,414	2,982,414
Total 1998 Bond Issue	-	6,413,886	6,413,886
2008 Bond Issue:			
Debt Reserve Fund	-	7,033,324	7,033,324
Proceeds Expense Fund	-	37,628	37,628
Total 2008 Bond Issue	-	7,070,952	7,070,952
2009 Bond Issue:			
Interest	-	46,960	46,960
Principal	-	505,000	505,000
Total 2009 A-1 Bond Issue	-	551,960	551,960
2009 Bond Issue:			
Interest	-	196,260	196,260
Principal	-	355,000	355,000
Total 2009 A-2 Bond Issue	-	551,260	551,260
Total carrying value (at fair value)	$ 28,913	$ 125,649,115	$ 125,678,028

2008	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 20,531,537	$ 87,059,193	$ 107,590,730
1998 Bond Issue:			
Improvement Fund	-	205,869	205,869
Reserve Fund	-	3,284,876	3,284,876
Interest Fund	-	2,652,126	2,652,126
Total 1998 Bond Issue	-	6,142,871	6,142,871
2004B Bond Issue:			
Interest Fund	-	52,540	52,540
Debt Service Fund	-	4,500,128	4,500,128
Proceeds Expense Fund	-	102	102
Total 2004B Bond Issue	-	4,552,770	4,552,770
2008 Bond Issue:			
Capital Fund	-	113,574	113,574
Debt Reserve Fund	-	5,479,453	5,479,453
Proceeds Expense Fund	-	37,628	37,628
Total 2008 Bond Issue	-	5,630,655	5,630,655
Total carrying value (at fair value)	$ 20,531,537	$ 103,385,489	$ 123,917,026

Louisiana state statutes authorize the Service District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 2009 and 2008, the Service District invested primarily in securities issued by the U.S. Treasury and other federal agencies.

The Service District does not have a formal investment policy.

Credit Risk

Per GASB 40, unless there is information to the contrary, obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of December 31, 2009:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 12,467,793	Exempt from Disclosure
Cash deposits, held by Trustee	28,913	Exempt from Disclosure
U.S. Government securities	125,649,115	Exempt from Disclosure
Total cash and investments	$ 138,145,821	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 12,467,793
Designated Assets:	
Trustee-held assets, under bond indenture	14,588,059
By Board for discretionary purposes	111,089,969
Total designated assets	125,678,028
Total cash and investments	$ 138,145,821

The following table presents each applicable rating grouped by investment type as of December 31, 2008:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 14,716,101	Exempt from Disclosure
Cash deposits, held by Trustee	20,531,537	Exempt from Disclosure
U.S. Government securities	103,385,489	Exempt from Disclosure
Total cash and investments	$ 138,633,127	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 14,716,101
Designated Assets:	
Trustee-held assets, under bond indenture	16,326,296
By Board for discretionary purposes	107,590,730
Total designated assets	123,917,026
Total cash and investments	$ 138,633,127

Concentration, Credit Risk, and Custodial Credit Risk

Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 2009 and 2008 were fully covered by insurance or collateral held by financial institutions in the Service District's name.

Per GASB 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2009, the Service District had no investments requiring a Concentration of Credit Risk disclosure.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Service District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Service District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following table summarizes the Service District's segmented time distribution investment maturities by investment type as of December 31, 2009 and 2008.

By Investment Type	Fair Value	<1 Year	1-5 Years
2009			
Cash deposits, operating funds	$ 12,467,793	$ 9,902,932	$ -
Cash deposits, held by Trustee	28,913	28,913	-
U.S. Government securities	125,649,115	80,079,052	45,570,063
Total cash and investments	$ 138,145,821	$ 90,010,897	$ 45,570,063
2008			
Cash deposits, operating funds	$ 14,716,101	$ 10,241,832	$ -
Cash deposits, held by Trustee	20,531,537	20,531,537	-
U.S. Government securities	103,385,489	70,158,637	33,226,852
Total cash and investments	$ 138,633,127	$ 100,932,006	$ 33,226,852

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2009, the Retirement Plan's investments were held by Regions Morgan Keegan Trust. Investments at December 31, 2009 and 2008 consist of the following mutual funds which are stated at fair value.

	2009		2008	
Fixed Income:				
Federated U.S. Government Trust Institutional Fund	$ 11,038,014	*	$ 10,998,512	*
Vanguard Short-term Treasury Fund	7,857,946	*	7,751,246	*
	18,895,960		18,749,758	
Equity:				
Artisan Sm Cap Value Fund 963 Inv	2,618,323	*	1,867,708	
Amer Cap World Growth & Inc FD CL R5	4,543,852	*	3,460,602	*
Vanguard Institutional Index Fund	13,975,406	*	11,036,449	*
Vanguard Mid Cap Index Fund	6,532,578	*	4,658,876	*
	27,670,159		21,023,635	
Cash equivalents:				
Fidelity Institutional Treasury Portfolio	787,477		2,675,940	*
	787,477		2,675,940	
Total investments	$ 47,353,596		$ 42,449,333	

* represents investments that are 5% or more of the Plan's net assets.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising interest rates, the Retirement Plan's investment policy limits the maximum for any single fixed income security to 10 years. None of the investments of the Retirement Plan have fixed maturity dates.

Credit Risk

State statutes authorize the Retirement Plan to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The Retirement Plan's investment policy limits the Plan's investments to treasury bills, money market funds, commercial paper, U.S. government and agency securities, corporate notes and bonds, common stocks, American Depository Receipts of Non-U.S. companies listed on American exchanges, and stocks of Non- U.S. companies. As of December 31, 2009 and 2008, all investments of the Retirement Plan were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Fitch ratings.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Retirement Plan are held in the name of the Retirement Plan for the years ended December 31, 2009 and 2008.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. The Retirement Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio. No investments of the Retirement Plan are in violation of this policy at December 31, 2009 and 2008.

3. Property, Plant and Equipment

The following table summarizes the changes in net property, plant, and equipment for the year ended December 31:

2009	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 20,665,872	$ 713,033	$ -	$ 21,378,905
Building and fixed equipment	182,031,013	3,681,932	(1,400,100)	184,312,845
Equipment	190,008,640	5,844,249	(148,015)	195,704,874
Construction in progress	6,257,948	14,099,294	(6,538,471)	13,818,771
	398,963,473	24,338,508	(8,086,586)	415,215,395
Less accumulated depreciation	(247,827,506)	(17,739,165)	141,869	(265,424,802)
Property, plant, and equipment, net	$ 151,135,967	$ 6,599,343	$ (7,944,717)	$ 149,790,593

2008	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 20,892,843	$ 522,288	$ (749,259)	$ 20,665,872
Building and fixed equipment	174,844,855	3,958,474	3,227,684	182,031,013
Equipment	181,320,322	11,919,129	(3,230,811)	190,008,640
Construction in progress	13,851,258	7,046,230	(14,639,540)	6,257,948
	390,909,278	23,446,121	(15,391,926)	398,963,473
Less accumulated depreciation	(230,978,154)	(17,601,181)	751,829	(247,827,506)
Property, plant, and equipment, net	$ 159,931,124	$ 5,844,940	$ (14,640,097)	$ 151,135,967

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

The Service District leases certain major movable and other non-movable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Refer to Note 10 for amounts relating to these leases. Rental expense for leased equipment amounted to approximately $1,360,000 in 2009 and $1,359,000 in 2008.

In May 2007, one of the Service District's bond insurers directed, under the terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Service District's property and equipment.

4. Risk Management

The Service District participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice coverage to the Service District for claims in excess of $100,000 and up to $500,000 per claim. According to current state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to $500,000 per occurrence. Service District management has no reason to believe that the Service District will be prevented from continuing its participation in the Fund.

The Service District maintains a funded self-insurance program against medical malpractice claims and purchased excess general and auto liability coverage up to $10 million with a $2 million self-retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Service District is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Service District and are currently in various states of litigation. The Service District has accrued approximately $3,141,920 and $4,294,000 at December 31, 2009 and 2008, respectively, for the estimated loss and litigation expenses related to medical malpractice claims for which the Service District is self-insured. The discount rate used to determine the present value of the accrual was 4.0%. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Service District arising from services provided to patients through December 31, 2009. The Service District is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

The Service District is self-insured for workers' compensation up to $500,000 per claim and is self-insured for employee group health insurance claims. The Service District purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The following table summarizes the changes in the Service District's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2009	$11,382,348	$10,400,225	$10,787,173	$10,995,400
2008	$9,277,212	$16,643,367	$14,538,231	$11,382,348

5. Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2009	2008
Hospital Revenue Bonds (Series 1998A); 4% - 5.25%; due in installments through 2021	$ 29,075,000	$ 30,945,000
Hospital Revenue Bonds (Series 1998B); variable interest rate (ranging from 5.25% - 5.50% in 2009 and 1.28% - 5.50% in 2008, due in installments beginning in 2022 through 2028; changed to fixed interest rate of 5.25% in October 2009	25,000,000	25,000,000
Hospital Revenue Bonds (Series 2004B); variable interest rate (ranging from 0.48% - 1.13% in 2009, 0.90% - 8.94% in 2008); due in installments through 2018, called in 2009	-	24,175,000
Hospital Revenue Refunding Bonds (Series 2008B-1); variable interest rate (ranging from 2.65% - 3.73% in 2009 and 2.71% - 3.73% in 2008), due in installments beginning in 2010 through 2019	20,000,000	20,000,000
Hospital Revenue Refunding Bonds (Series 2008B-2); variable interest rate (ranging from 2.65% - 3.73% in 2009 and 2.71% - 3.73% in 2008) due in installments beginning in 2020 through 2034	35,000,000	35,000,000
Hospital Revenue Refunding Bonds (Series 2009A-1); fixed interest rate of 4.10% due in installments beginning in 2010 through 2014	5,355,000	-
Hospital Revenue Refunding Bonds (Series 2009A-2); fixed interest rate of 6.15% due in installments beginning in 2010 through 2019	14,920,000	-
Special Community Disaster Loan; interest accrues at 2.74%; principal and interest due in total in 2011	30,712,500	30,712,500
Total	160,062,500	165,832,500
Less unamortized original issue discount	-	(1,060,778)
Less current maturities	(4,385,000)	(6,645,000)
Long-term debt, less current maturities	$ 155,677,500	$ 158,126,722

For the years ended December 31, 2009 and 2008, interest expense, before interest income from trustee-held assets of approximately $35,976 and $653,401, respectively, totaled $7,444,563 and $5,736,925, respectively.

The changes in long-term debt were as follows:

	2009	2008
Balance, beginning of year	$ 165,832,500	$ 198,647,500
Issuances	20,275,000	55,000,000
Defeased / Called	(24,175,000)	(81,410,000)
Payments	(1,870,000)	(6,405,000)
Balance, end of year	$ 160,062,500	$ 165,832,500

The debt service requirements at December 31, 2009, were as follows:

	Principal	Interest	Total
2010	$ 4,385,000	$ 5,724,104	$ 10,109,104
2011	36,397,500	9,413,164	45,810,664
2012	5,950,000	5,881,731	11,831,731
2013	6,175,000	5,572,187	11,747,187
2014	6,465,000	5,259,616	11,724,616
2015-2019	34,305,000	21,035,683	55,340,683
2020-2024	24,815,000	13,468,856	38,283,856
2025-2029	26,700,000	6,599,685	33,299,685
2030-2034	14,870,000	1,846,182	16,716,182
Total long-term debt	$ 160,062,500	$ 74,801,208	$ 234,863,708

Series 1979 Bonds

The Series 1979 bonds were defeased in 1985. A portion of the proceeds from a subsequent bond issuance was deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying Balance Sheets. Series 1979 bonds payable outstanding were $3,165,000 at December 31, 2008. The bonds were paid off in 2009.

Series 2004A Bonds

The Series 2004A bonds were defeased on November 20, 2008 using a combination of the proceeds from the issuance of Series 2008B-1 ($20,000,000) and 2008B-2 ($35,000,000) bonds (discussed below) net of issuance costs, funds on deposit in the 2004A debt service reserve fund, and approximately $30,500,000 of the Service District's cash. These amounts were irrevocably deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds were used to redeem the Series 2004A issue in 2009. Neither the escrowed funds nor the Series 2004A bonds payable are shown in the accompanying Balance Sheets. Series 2004A bonds payable outstanding were $81,410,000 at December 31, 2008. As part of the defeasance, the Service District paid approximately $283,000 in financing costs and $6,121,000 in prepaid interest costs totaling $6,404,000. The Service District also recognized a book loss on the transaction of approximately $327,000 which has been included in the issuance costs and will be amortized over the life of the 2008B bonds.

Series 2004B Bonds

The Series 2004B bonds were called on November 11, 2009 using a combination of the proceeds from the issuance of Series 2009A-1 ($14,920,000) and 2009A-2 ($5,355,000) bonds (discussed below) net of issuance costs, funds on deposit in the 2004B debt service reserve fund, and $138,340 of the Service District's cash. These amounts were irrevocably deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds were used to redeem the Series 2004B issue in 2009. As part of this transaction, the Service District paid approximately $375,000 in financing costs. The Service District also recognized a book loss on the transaction of approximately $1,982,000 which has been included in issuance costs and will be amortized over the life of the 2009A bonds.

Series 2008B-1 and 2008B-2 Bonds

As noted above, in November 2008 the Service District issued Variable Rate Hospital Revenue Refunding Bonds Series 2008B-1 ($20,000,000) and Series 2008B-2 ($35,000,000). The Series 2008B-1 bonds are payable in installments beginning in 2010 through 2019 while the Series 2008B-2 bonds are payable in installments beginning in 2020 through 2034. The bonds, subsequent to the defeasance of the 2004A bonds, will be secured by a pledge of revenues on a parity with the Series 1998A and Series 1998B bonds and other outstanding parity obligations.

Series 2009A-1 and 2009A-2 Bonds

As noted above, in October 2009 the Service District issued Variable Rate Hospital Revenue Refunding Bonds Series 2009A-1 ($5,355,000) and Series 2009A -2 ($14,920,000). The Series 2009A-1 bonds are payable in installments beginning in 2010 through 2014 while the Series 2009A-2 bonds are payable in installments beginning in 2010 through 2019. The bonds, subsequent to the calling of the 2004B bonds, will be secured by a pledge of revenues on a parity with the Series 1998A, Series 1998B, and Series 2008B bonds and other outstanding parity obligations.

Interest Rate Swaps

To take advantage of lower rates of interest, the Service District has entered into interest rate swap agreements, as described below, with two major financial institutions. In 2004 and 2006, the Service District and JPMorgan Chase Bank ("JPMorgan") entered into interest rate swap agreements which incorporate the 2000 International Swap Dealers Association ("ISDA") Master Agreement which includes defined terms and provisions. On July 22, 2009 the swap agreements with JPMorgan were unwound. In November 2008, the Service District and Capital One, N.A. ("Capital One") entered into an interest rate swap agreement which incorporates the 2002 Master Agreement.

Series 1998B Bonds

In November 2004, the Service District entered into a floating-to-fixed interest rate swap agreement on the Series 1998B variable-rate bonds. The swap agreement has a notional amount of $25,000,000. Under the terms of the agreement, which was to mature on January 1, 2012, the Service District pays to JPMorgan on January 1st and July 1st fixed interest at the rate of 3.10% and receives from JPMorgan a variable rate, paid quarterly, calculated as 68% of the one-month London Interbank Offer Rate (LIBOR) plus or minus the variable bond rate based on the Bond Market Association Municipal Swap Index (BMA). The swap agreements on the 1998B bonds are subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was an increase in the Service District's Series 1998B interest expense of $1,596,428.

In August 2006, the Service District entered into a basis swap agreement which was to mature on January 1, 2012. The swap agreement has a notional amount of $25,000,000. Under the terms of this agreement, the Service District pays JPMorgan on the 1st of each quarter a variable rate computed as 68% of the one-month LIBOR rate and receives from JPMorgan 61.75% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was a decrease in the Service District's Series 1998B interest expense of $936,361.

Series 2004A Bonds

In August 2004, the Service District entered into a fixed-to-floating total return interest rate swap agreement which matured on December 1, 2008. The swap agreement had a notional amount equal to the total bonds issued of $81.4 million. Under the terms of the agreement, the Service District pays the 5.85% fixed rate semi-annual bond coupon payments. JPMorgan returns to the Service District the net of the 5.85% fixed rate on the bonds and a semi-annual variable rate of interest computed as BMA plus 70 basis points. The net effect of the swap transaction in 2008 was a decrease in the Service District's Series 2004A interest expense of $4,090,512 due in part to the swap termination.

Due to changes in interest rates and mark-to-market valuations in 2008, the Service District was required to post collateral with the counterparty. As a result of the defeasance of the Series 2004A bonds in November 2008 as discussed above, the Service District terminated the swap agreement which resulted in the return to the Service District of approximately $18 million of posted collateral. In addition, the deposit of the Series 2004A escrowed funds (as discussed above) increased the market valuation of the 2004A swap which resulted in the Service District receiving an additional return of $2.9 million at termination on December 1, 2008. This amount was recorded as a reduction to interest expense.

Series 2004B Bonds

In August 2004, the Service District entered into a floating-to-fixed interest rate swap agreement which was to mature on January 1, 2017. The notional amount of the bonds was $39.2 million which continues to decline each year until the maturity date of the bonds. Under the terms of this agreement, the Service District pays semi-annually to JPMorgan a fixed rate of 3.35% and receives from JPMorgan a variable rate, paid monthly, calculated as 68% of the one-month LIBOR plus or minus the variable bond rate based on The Bond Market Association Municipal Swap Index (BMA). This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was an increase in the Service District's Series 2004B interest expense of $1,074,873.

In August 2006, the Service District entered into a basis swap agreement which was to mature on January 1, 2017. The notional amount of the bonds was $33.3 million and declines each year until the maturity date. Under the terms of this agreement, the Service District pays monthly to JPMorgan a variable rate computed as 68% of the one-month LIBOR and receives monthly from JPMorgan a variable rate calculated as 61.72% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index.. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was a decrease in the Service District's Series 2004B interest expense of $669,905.

Series 2008B Bonds

In connection with the issuance in November 2008 of the Series 2008B-1 and Series 2008B-2 bonds noted above, the Service District entered into a floating-to-fixed interest rate swap agreement which matures on November 20, 2013. The notional amount of the interest rate swap equals the outstanding principal balance of the bonds and declines each year as principal payments are made until the maturity date. Under the terms of the agreement, the Service District pays a 2.55% fixed rate of interest on the principal amount of the outstanding bonds. The Service District receives from Capital One variable interest rate payments based on 65% of one-month LIBOR. The net effect of the swap transaction in 2009 was an increase in the Service District's Series 2008B interest expense of $1,127,633. At December 31, 2009 no collateral was required by either party. At December 31, 2009, the fair value of this agreement was $1,342,916.

Community Disaster Loan

In the aftermath of Hurricane Katrina, the Service District applied for and received a Special Community Disaster Loan (the "Loan") from the federal government. The Loan proceeds, in the amount of approximately $31 million, were received by the Service District on February 22, 2006. The terms of the Loan call for interest to accrue at 2.74% annually to be repaid with the principal when the Loan becomes due in 2011. At December 31, 2009 and 2008, the Service District had accrued interest expense of $3,243,701 and $2,401,989, respectively on the Loan.

Recent changes in regulations may enable the Service District to seek forgiveness of the Loan. Management is assessing the impact of the regulation changes in 2010.

6. Community Benefits (Unaudited)

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the years ended December 31:

	2009	2008
Benefits for the indigent and uninsured (unpaid costs):		
Traditionally charity care and uninsured	$ 8,209,583	$ 8,910,260
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs	26,692,827	16,015,103
Other community benefits	2,251,056	2,878,441
Total quantifiable benefits for the broader community	$ 37,153,466	$ 27,803,804

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This amount includes the estimated costs of services associated with traditional charity care and other services such as emergency room services.

Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid beneficiaries in excess of the government payments. These benefits also include services provided to other needy populations that may not qualify as indigent but that require special services and support. Examples include the cost of health promotion and education, an assistance program for the elderly, health clinics and screenings, special assessments by the Parish to fund MITs, health care for the Parish correctional center, and funding assistance for a nonprofit community clinic, all of which, in management's opinion, benefit the broader community.

7. Governmental Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers in recent years. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Service District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. However, assessment of our compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Service District. Federal health care reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Service District's principal payers. It is not possible at this time to determine the impact on the Service District of government plans to reduce Medicare and Medicaid spending, government implementation of national and state health care reform, or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Service District in future years.

In October 2008, the Service District agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Service District improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Service District did not admit liability, the Service District agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Service District paid a combined total of approximately $3.56 million to the federal government and the State of Louisiana. In addition, the Service District entered into a compliance agreement with the federal government to continue implementation of the Service District's compliance program and to comply with reporting requirements contained in the compliance agreement.

8. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds.

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings. The Plan issues a publicly available report that includes financial statements and supplementary information for the Plan. The report may be obtained by contacting the Plan's administration at (504) 349-1100.

Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan). No new entrants were allowed to participate in the plan after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

The Medical Center's total payroll for all employees and the total covered payroll for the year ended December 31, 2009, amounted to approximately $88,889,000 and $40,587,000, respectively, and $86,977,000 and $44,148,000, respectively, for the year ended December 31, 2008. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the Plan on which contributions to the Plan are based.

	2009	2008
Active employees	739	818
Retirees and beneficiaries currently receiving benefits	798	753
Terminated vested participants	490	475
Total plan membership	2,027	2,046

Eligibility Requirements

An employee was eligible to participate in the Plan as of the date they have completed one year of service of 1,000 hours or more and attained the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum (1) 1.2 percent of final average monthly compensation (2) 0.65 percent of final average monthly compensation in excess of "covered" compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Medical Center has the right under the Plan to discontinue its contributions at anytime and to terminate the Plan. See further discussion below under "Plan Amendment."

Contributions Required and Contributions Made

The funding policy of the Plan for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2009, accrued by the Plan, is $2,741,401. The actual contribution paid by the employer during 2009 relating to the 2008 contribution requirement was $2,333,775. The 2009 contribution requirement consists of (a) $790,555 normal cost, (b) $1,747,779 amortization of the unfunded actuarial accrued liability and (c) $203,067 net interest cost. The actuarially determined contribution requirement for 2008, accrued by the Plan, was $2,333,775. The actual contribution paid by the employer during 2008 relating to the 2007 contribution requirement was $1,864,390. The 2009 contribution requirement consists of (a) $863,945 normal cost, (b) $1,296,958 amortization of the unfunded actuarial accrued liability and (c) $172,872 net interest cost.

Funding Status

The amount shown below as pension benefit obligation, determined as part of an actuarial valuation as of January 1, 2010, represents a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis to assess progress made in accumulating sufficient assets to pay benefits.

The following is a summary for the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2009	2008
Annual pension cost and net pension obligation:		
Annual required contribution	$ 2,741,401	$ 2,333,775
Contribution made (related to prior year obligations)	(2,333,775)	(1,864,390)
Increase in net pension obligation	407,626	469,385
Net pension obligation, beginning of year	2,333,775	1,864,390
Net pension obligation, end of year	$ 2,741,401	$ 2,333,775

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8% per year, compounded annually, and projected salary increases based on merit of 3% per year compounded annually.

The funded ratio of the unfunded actuarial accrued liability to covered payroll is as follows:

	2009	2008
Unfunded actuarial accrued liability (UAAL)	25,601,798	21,250,206
Covered payroll	40,586,511	44,147,514
UAAL as a percent of payroll	63.1%	48.1%

Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2009	2008
Actuarial present value of accumulated plan, benefits at beginning of year	$ 68,309,300	$ 65,146,953
Increase (decrease) attributable to:		
Benefits accumulated, including actuary loss	2,629,620	1,951,027
Assumed interest from beginning of year	5,302,287	5,060,742
Benefits paid	(4,141,088)	(3,849,422)
Change in assumptions	3,041,279	-
Net increase	6,832,098	3,162,347
Actuarial present value of accumulated plan benefits at end of year	$ 75,141,398	$ 68,309,300

Trend Information

Historical trend information as of January 1 is presented below to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2009	$2,741,401	100%	$2,741,401
December 31, 2008	$2,333,775	100%	$2,333,775
December 31, 2007	$1,864,390	100%	$1,864,390

The 2009 and 2008 audited financial statements of the Plan include certain required supplementary information related to net actuarial value of assets and accrued liabilities, funded ratios, and annual covered payroll.

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

Change in Actuarial Assumptions

The actuarial present value of accumulated plan benefits is determined by an independent actuary and represents the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant changes in actuarial assumptions used in the valuations between December 31, 2008 and December 31, 2009 was a change in the life expectancy of participants and the recognition of the difference between the expected and actual total investment return.

The Plan actuary utilized the 1994 Unisex Pension Mortality Table for the year 2009, compared to the 1984 Unisex Pension Mortality Table for the year 2008. The change in the life expectancy of participants increased the actuarial accrued liability by $3,183,717. Additionally, the Plan actuary recognized the difference between the expected and actual total investment return over five years in 2009, a change from three years in 2008, and this reduced the actuarial accrued liability.

Plan Amendments

In 2005, the Medical Center adopted a change to the Plan that amends the Plan effective January 1, 2006. The change freezes participation after December 31, 2005 (no new participants) and offer active participants as of January 1, 2006 a one-time irrevocable election to either (1) freeze their benefits under the Plan as of December 31, 2005, with no future accruals but with enhanced benefits available under a new 403(b) Defined Contribution Plan (the "new Defined Contribution Plan"), or (2) continue further accruals under the Plan after December 31, 2005, but without the enhanced benefits otherwise available under the new Defined Contribution Plan (see below).

In 2007, the Medical Center adopted an amendment to the new Defined Contribution Plan effective November 1, 2007. The change provides enhanced retirement benefits to eligible participants electing retirement under the Voluntary Retirement Incentive Program (VRIP) by December 17, 2007. Participants age 55 or older with at least 20 years of credited service by December 31, 2007 were granted the most favorable combination of 10 total additional years of age and service (with a forty year service cap) if they retired under the VRIP with an approved retirement date ranging from January 1, 2008 to April 1, 2008. Of a total of 119 eligible employees, 67 participants elected to accept enhanced retirement benefits under the VRIP. The Plan's actuarial accrued liability increased $5,903,534 as a result of these elections under the VRIP.

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to these plans in 2009 was $173,000 and for 2008 was $234,000. Net assets and liabilities associated with the plans were approximately $341,000 and $166,000 at December 31, 2009 and 2008, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's new Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled $1,724,070 and $1,522,397 for the year ended, December 31, 2009, and 2008, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year.

9. Concentrations of Credit Risk

The Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payers was as follows:

	December 31	
	2009	2008
Medicare	22 %	25 %
Medicaid	10 %	10 %
Managed care	50 %	45 %
Other	9 %	11 %
Self-pay	9 %	9 %
	100 %	100 %

10. Operating Leases

The Service District has entered into several long-term operating leases. The future commitments resulting from these leases are as follows:

2010	$ 1,218,878
2011	729,969
2012	538,353
2013	445,746
2014	148,796
Thereafter	528,726
	$ 3,610,468

11. Related Parties

The Service District paid no amounts to members of its board of directors for compensation or per diem in 2009 and 2008. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

The Service District purchases services from West Jefferson Radiosurgery, a joint venture investment of the Service District. The costs were $891,750 and $738,000 in 2009 and 2008, respectively. The amounts payable to West Jefferson Radiosurgery as of December 31, 2009 and 2008, were $430,500 and $133,250, respectively.

In 2009 and 2008, the Service District paid for an equipment lease and maintenance contract with annual fees of $1,149,110 on behalf of West Jefferson Radiosurgery, LLC. As of December 31, 2009 and 2008 the Service District had accounts receivable of approximately $1,378,000 and $1,008,000 due from West Jefferson Radiosurgery, LLC.

The Service District owns 50% of Associated Hospital Services (AHS), a laundry service. In 2009 and 2008, the Service District purchased services of $1,033,000 and $1,109,000, respectively, from AHS. As of December 31, 2009 and 2008 the Service District had accounts payable to AHS of approximately $103,000 and $102,000, respectively.

Included in other receivables at December 31, 2009 is $222,099 owed from West Jefferson Industrial Medicine, LLC (WJIM), a joint venture investment of the Service District, for a loan made to WJIM during 2009. Accrued expenses at December 31, 2009, include $107,307 for a contribution owed to WJIM.

12. Subsequent Events

On January 1, 2010, the Service District entered into an agreement with WJIM for the $222,099 balance loaned to WJIM in 2009. The note requires that WJIM make monthly payments of $4,217 to the Service District beginning on February 1, 2010 and ending on January 1, 2015. The note has an annual interest rate of 5.25%.

13. Restatement

Errors were identified in the financial statements of West Jefferson MRI, LLC and West Jefferson CT Scan, LLC, joint venture investments of the Service District, which impacted prior year financial statements of the Service District. These errors resulted in a restatement which increased other assets, earnings from joint venture investments, and unrestricted net assets by $241,630 for the year ended December 31, 2008.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
RETIREMENT PLAN FOR EMPLOYEES OF WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2001 thrugh 2009

Year	Annual Required Contribution		Percentage Contributed
2009	$	2,741,401	100%
2008	$	2,333,775	100%
2007	$	1,864,390	100%
2006	$	2,123,511	100%
2005	$	2,739,608	100%
2004	$	2,483,379	100%
2003	$	1,980,141	100%
2002	$	1,577,881	100%
2001	$	1,016,964	100%

SCHEDULE OF FUNDING PROGRESS
December 31, 2001 through 2009

(1) Actuarial Valuation Date		(2) Actuarial Value of Assets (AVA)		(3) Actuarial Accrued Liability (AAL)		(4) Actuarial Accrued (Prefunded) Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)		(6) Annual Covered Payroll	(7) UAAL as a Percent of Payroll (4)/(6)
01/01/10	$	56,706,209 *	$	82,308,007	$	25,601,798	68.9%	$	40,586,511	63.1%
01/01/09	$	55,077,129	$	76,327,335	$	21,250,206	72.2%	$	44,147,514	48.1%
01/01/08	$	57,248,337	$	73,017,274	$	15,768,937	78.4%	$	49,734,574	31.7%
01/01/07	$	54,358,247	$	62,644,610	$	8,286,363	86.8%	$	58,108,577	14.3%
01/01/06	$	45,636,913	$	57,977,462	$	12,340,549	78.7%	$	61,076,105	20.2%
01/01/05	$	43,037,997	$	56,595,243	$	13,557,246	76.0%	$	62,387,862	21.7%
01/01/04	$	40,899,923	$	52,037,852	$	11,137,929	78.6%	$	60,701,967	18.3%
01/01/03	$	39,695,075	$	49,564,631	$	9,869,556	80.1%	$	48,455,441	20.4%
01/01/02	$	39,700,000	$	45,712,387	$	6,012,387	86.8%	$	44,903,940	13.4%
01/01/01	$	41,300,000	$	42,025,625	$	725,625	98.3%	$	42,532,749	1.7%

* Effective with the 01/01/2010 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 3 years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the preceding required supplementary scheduled was determined as part of the actuarial valuations dates indicated. Additional information as of the latest valuation follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothing
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.00%
Cost of living adjustment	None

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET
ENTERPRISE FUND
DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,902,932	$ 2,564,861	$ -	$ 12,467,793
Receivables:				
Patient accounts receivable, net	42,220,160	-	-	42,220,160
Other receivables	965,162	1,993,783	(120,600)	2,838,345
Inventory	4,788,879	-	-	4,788,879
Prepaid expenses	6,377,847	46,093	-	6,423,940
Designated cash and investments that are required for current liabilities	6,326,440	-	-	6,326,440
Total current assets	70,581,420	4,604,737	(120,600)	75,065,557
Designated cash and investments:				
Board for discretionary purposes, at fair value	111,089,969	-	-	111,089,969
Trustee-held assets, at fair value	14,588,059	-	-	14,588,059
Total designated cash and investments	125,678,028	-	-	125,678,028
Less amounts required for current liabilities	(6,326,440)	-	-	(6,326,440)
Noncurrent designated cash and investments	119,351,588	-	-	119,351,588
Property, plant, and equipment, net	149,519,156	271,437	-	149,790,593
Other assets:				
Unamortized financing costs	8,337,456	-	-	8,337,456
Prepaid deferred compensation	341,007	-	-	341,007
Other	3,279,381	2,055,281	-	5,334,662
Total other assets	11,957,844	2,055,281	-	14,013,125
Total assets	$ 351,410,008	$ 6,931,455	$ (120,600)	$ 358,220,863

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET, CONTINUED
ENTERPRISE FUND
DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 10,853,153	$ 42,907	$ -	$ 10,896,060
Accrued expenses	23,195,693	227,907	(120,600)	23,303,000
Patient deposits and credit balances	3,661,007	-	-	3,661,007
Due to government health care programs	2,146,830	-	-	2,146,830
Bond interest payable	1,941,440	-	-	1,941,440
Current installments of long-term debt	4,385,000	-	-	4,385,000
Total current liabilities	46,183,123	270,814	(120,600)	46,333,337
Accrued malpractice claims	3,141,920	-	-	3,141,920
Accrued deferred compensation	341,007	-	-	341,007
Interest payable, long-term	3,243,701	-	-	3,243,701
Long-term debt, net of original issue discount	155,677,500	-	-	155,677,500
Total liabilities	208,587,251	270,814	(120,600)	208,737,465
Net assets:				
Invested in capital assets, net of related debt	20,169,156	271,437	-	20,440,593
Restricted	14,112,190	-	-	14,112,190
Unrestricted	108,541,411	6,389,204	-	114,930,615
Total net assets	142,822,757	6,660,641	-	149,483,398
Total liabilities and net assets	$ 351,410,008	$ 6,931,455	$ (120,600)	$ 358,220,863

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET
ENTERPRISE FUND
DECEMBER 31, 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 10,241,832	$ 4,474,269	$ -	$ 14,716,101
Receivables:				
Patient accounts receivable, net	38,750,558	-	-	38,750,558
Other receivables	2,923,241	1,366,074	(184,521)	4,104,794
Inventory	4,527,021	-	-	4,527,021
Prepaid expenses	6,055,837	65,703	-	6,121,540
Designated cash and investments that are required for current liabilities	8,794,819	-	-	8,794,819
Total current assets	71,293,308	5,906,046	(184,521)	77,014,833
Designated cash and investments:				
Board for discretionary purposes, at fair value	107,590,730	-	-	107,590,730
Trustee-held assets, at fair value	16,326,296	-	-	16,326,296
Total designated cash and investments	123,917,026	-	-	123,917,026
Less amounts required for current liabilities	(8,794,819)	-	-	(8,794,819)
Noncurrent designated cash and investments	115,122,207	-	-	115,122,207
Property, plant, and equipment, net	150,200,347	935,620	-	151,135,967
Other assets:				
Unamortized financing costs	7,584,565	-	-	7,584,565
Prepaid deferred compensation	166,229	-	-	166,229
Other	3,258,560	1,238,269	-	3,258,560
Total other assets	11,009,354	1,238,269	-	12,247,623
Total assets	$ 347,625,216	$ 8,079,935	$ (184,521)	$ 355,520,630

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET, CONTINUED
ENTERPRISE FUND
DECEMBER 31, 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 9,326,879	$ 34,289	$ -	$ 9,361,168
Accrued expenses	21,966,670	184,521	(184,521)	21,966,670
Patient deposits and credit balances	1,823,600	-	-	1,823,600
Due to government health care programs	1,084,179	-	-	1,084,179
Bond interest payable	2,149,819	-	-	2,149,819
Current installments of long-term debt	6,645,000	-	-	6,645,000
Total current liabilities	42,996,147	218,810	(184,521)	43,030,436
Accrued malpractice claims	4,294,390	-	-	4,294,390
Accrued deferred compensation	166,229	-	-	166,229
Interest payable, long-term	2,401,989	-	-	2,401,989
Long-term debt, net of original issue discount	158,126,722	-	-	158,126,722
Total liabilities	207,985,477	218,810	(184,521)	208,019,766
Net assets:				
Invested in capital assets, net of related debt	16,141,125	935,620	-	17,076,745
Restricted	16,120,427	-	-	16,120,427
Unrestricted	107,378,187	6,925,505	-	114,303,692
Total net assets	139,639,739	7,861,125	-	147,500,864
Total liabilities and net assets	$ 347,625,216	$ 8,079,935	$ (184,521)	$ 355,520,630

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING REVENUE				
Net patient service revenue	$ 233,895,802	$ -	$ -	$ 233,895,802
Earnings from joint ventures	-	1,298,402	-	1,298,402
Other operating revenue	19,050,617	527,915	(347,064)	19,231,468
Total operating revenue	252,946,419	1,826,317	(347,064)	254,425,672
OPERATING EXPENSES				
Salaries and wages	89,888,694	120,600	(120,600)	89,888,694
Employee benefits	20,406,622	-	-	20,406,622
Professional fees	19,682,870	-	-	19,682,870
Medical and general supplies	47,346,832	218	-	47,347,050
Purchased services	31,800,742	-	-	31,800,742
Other expenses	14,592,584	722,228	(226,464)	15,088,348
Depreciation	17,738,155	1,484	-	17,739,639
Total operating expenses	241,456,499	844,530	(347,064)	241,953,965
Operating income (loss)	11,489,920	981,787	-	12,471,707
NON-OPERATING INCOME (EXPENSE)				
Investment income (loss)	(1,568,057)	17,829	-	(1,550,228)
Interest expense	(7,408,587)	-	-	(7,408,587)
Donated assets (Note 9)	2,269,013	(2,200,100)	-	68,913
	(6,707,631)	(2,182,271)	-	(8,889,902)
Changes in net assets before assessment by Jefferson Parish and support to others	4,782,289	(1,200,484)	-	3,581,805
Assessments by Jefferson Parish and support to others	(1,599,271)	-	-	(1,599,271)
Change in net assets	3,183,018	(1,200,484)	-	1,982,534
NET ASSETS				
Beginning of year	139,639,739	7,861,125	-	147,500,864
End of year	$ 142,822,757	$ 6,660,641	$ -	$ 149,483,398

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING REVENUE				
Net patient service revenue	$ 229,530,257	$ -	$ -	$ 229,530,257
Earnings from joint ventures	-	1,661,406	-	1,661,406
Other operating revenue	13,053,832	503,988	(347,133)	13,210,687
Total operating revenue	242,584,089	2,165,394	(347,133)	244,402,350
OPERATING EXPENSES				
Salaries and wages	86,976,716	120,600	(120,600)	86,976,716
Employee benefits	20,431,119	-	-	20,431,119
Professional fees	20,487,212	-	-	20,487,212
Medical and general supplies	45,863,918	-	-	45,863,918
Purchased services	35,733,746	-	-	35,733,746
Other expenses	16,803,628	826,264	(226,533)	17,403,359
Depreciation	17,599,955	1,226	-	17,601,181
Total operating expenses	243,896,294	948,090	(347,133)	244,497,251
Operating income (loss)	(1,312,205)	1,217,304	-	(94,901)
NON-OPERATING INCOME (EXPENSE)				
Investment income (loss)	7,471,197	116,282	-	7,587,479
Interest expense	(5,083,524)	-	-	(5,083,524)
Settlement expense (Note 7)	(3,563,918)	-	-	(3,563,918)
Donated assets (Note 9)	2,013,758	(2,000,000)	-	13,758
	837,513	(1,883,718)	-	(1,046,205)
Changes in net assets before assessment by Jefferson Parish and support to others	(474,692)	(666,414)	-	(1,141,106)
Assessments by Jefferson Parish and support to others	(2,283,015)	-	-	(2,283,015)
Change in net assets	(2,757,707)	(666,414)	-	(3,424,121)
NET ASSETS				
Beginning of year	142,397,446	8,527,539	-	150,924,985
End of year	$ 139,639,739	$ 7,861,125	$ -	$ 147,500,864

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING ACTIVITIES				
Revenue collected	$ 253,272,303	$ 2,083,875	$ (347,064)	$ 255,009,114
Cash payments to employees and for related costs	(110,843,686)	(120,600)	120,600	(110,843,686)
Cash payments for operating expenses	(110,813,869)	(651,158)	226,464	(111,238,563)
Net cash provided by operating activities	31,614,748	1,312,117	-	32,926,865
NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from donations	2,269,013	-	(1,500,000)	769,013
Donation of cash to WJMC	-	(1,500,000)	1,500,000	-
Assessments by Jefferson Parish and support to others	(1,599,271)	-	-	(1,599,271)
Net cash provided by (used in) non-capital financing activities	669,742	(1,500,000)	-	(830,258)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments	(5,233,980)	-	-	(5,233,980)
Capital expenditures	(17,056,964)	(737,346)	-	(17,794,310)
Proceeds from issuance of debt	20,275,000	-	-	20,275,000
Principal and defeasance payments on borrowings	(26,045,000)	-	-	(26,045,000)
Bond financing costs and other required payments	(1,269,363)	-	-	(1,269,363)
Net cash used in capital and related financing activities	(29,330,307)	(737,346)	-	(30,067,653)
INVESTING ACTIVITIES				
Purchases of investment securities	(49,609,512)	-	-	(49,609,512)
Proceeds from sales and maturities of investments	47,848,510	-	-	47,848,510
Investment loss and other	(1,532,081)	(984,179)	-	(2,516,260)
Net cash used in investing activities	(3,293,083)	(984,179)	-	(4,277,262)
Net decrease in cash and cash equivalents	(338,900)	(1,909,408)	-	(2,248,308)
Cash and cash equivalents, beginning of year	10,241,832	4,474,269	-	14,716,101
Cash and cash equivalents, end of year	$ 9,902,932	$ 2,564,861	$ -	$ 12,467,793

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS, CONTINUED
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2009 AND 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 11,489,920	$ 981,787	$ -	$ 12,471,707
Depreciation	17,738,155	1,484	-	17,739,639
Amortization of non-compete agreement	-	106,981	-	106,981
Bad debt expense	28,490,959	-	-	28,490,959
Income on other investments	(20,821)	-	-	(20,821)
Changes in operating assets and liabilities:				
Accounts receivable, net	(30,123,154)	-	-	(30,123,154)
Inventory and prepaid expenses	(583,868)	19,610	-	(564,258)
Other receivables	1,958,079	(406,135)	(63,921)	1,488,023
Accounts payable	1,526,274	8,618	-	1,534,892
Accrued expenses and other liabilities	1,139,204	(63,921)	63,921	1,139,204
Net reconciling items from joint ventures	-	663,693	-	663,693
Net cash provided by operating activities	$ 31,614,748	$ 1,312,117	$ -	$ 32,926,865

NON-CASH TRANSACTIONS

During 2009, the Service Districted contributed land of $700,000 to West Jefferson Industrial Medicine, LLC.

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING ACTIVITIES				
Revenue collected	$ 246,189,572	$ 1,927,254	$ (374,733)	$ 247,742,093
Cash payments to employees and for related costs	(107,956,205)	(148,200)	148,200	(107,956,205)
Cash payments for operating expenses	(118,149,081)	(825,936)	226,533	(118,748,484)
Net cash provided by operating activities	20,084,286	953,118	-	21,037,404
NON-CAPITAL FINANCING ACTIVITIES				
Operating grants	174,312	-	-	174,312
Proceeds from donations	2,013,758	-	(2,000,000)	13,758
Donation of cash to WJMC	-	(2,000,000)	2,000,000	-
Assessments by Jefferson Parish and support to others	(2,283,015)	-	-	(2,283,015)
Settlement payment	(3,563,918)	-	-	(3,563,918)
Net cash used in non-capital financing activities	(3,658,863)	(2,000,000)	-	(5,658,863)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments	(5,148,918)	-	-	(5,148,918)
Capital expenditures	(7,870,924)	(935,100)	-	(8,806,024)
Capital contributions	744,355	-	-	744,355
Proceeds from issuance of debt	55,000,000	-	-	55,000,000
Principal and defeasance payments on borrowings	(87,815,000)	-	-	(87,815,000)
Bond financing costs and other required payments	(6,403,850)	-	-	(6,403,850)
Net cash used in capital and related financing activities	(51,494,337)	(935,100)	-	(52,429,437)
INVESTING ACTIVITIES				
Purchases of investment securities	(1,668,784,948)	-	-	(1,668,784,948)
Proceeds from sales and maturities of investments	1,698,911,247	2,868,400	-	1,701,779,647
Investment income and other	8,124,598	232,195	-	8,356,793
Net cash provided by investing activities	38,250,897	3,100,595	-	41,351,492
Net increase in cash and cash equivalents	3,181,983	1,118,613	-	4,300,596
Cash and cash equivalents, beginning of year	7,059,849	3,355,656	-	10,415,505
Cash and cash equivalents, end of year	$ 10,241,832	$ 4,474,269	$ -	$ 14,716,101

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS, CONTINUED
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2009 AND 2008

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (1,312,205)	$ 1,217,304	$ -	$ (94,901)
Depreciation	17,599,955	1,226	-	17,601,181
Amortization of non-compete agreement	-	213,962	-	213,962
Bad debt expense	24,336,550	-	-	24,336,550
Loss on other investments	89,008	-	-	89,008
Changes in operating assets and liabilities:				
Accounts receivable, net	(23,198,945)	-	-	(23,198,945)
Inventory and prepaid expenses	420,252	1,797	-	422,049
Other receivables	2,467,878	(251,302)	(24,777)	2,191,799
Accounts payable	(3,986,128)	(76,106)	-	(4,062,234)
Accrued expenses and other liabilities	3,667,921	(24,777)	24,777	3,667,921
Net reconciling items from joint ventures	-	(128,986)	-	(128,986)
Net cash provided by operating activities	$ 20,084,286	$ 953,118	$ -	$ 21,037,404

NON-CASH TRANSACTIONS

During 2009, the Service Districted contributed land of $700,000 to West Jefferson Industrial Medicine, LLC.

See independent auditors' report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the financial statements of the Jefferson Parish Hospital Service District No. 1 (the Service District) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Service District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is included in the schedule of findings and questioned costs as item 2009-1.

This report is intended solely for the information of the Service District, the Service District's management; federal, state and city awarding agencies; and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
April 29, 2010

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

Summary Schedule of Current Year Audit Findings and Questioned Costs

Year ended December 31, 2009

2009-1 Ethics Code

Criteria:	The Service District should follow the ethics code as provided by La. R. S. 42:1113 which prohibits a governmental entity from entering into a contract or other transaction with a vendor when one of its Board members has a substantial economic interest in the vendor.
Condition:	During 2008 and 2009 as well as in 2010, the Service District issued a disbursement in the amount of $1,000 in each year to a vendor of which a board member had an economic interest.
Context:	The Service District has contributed for several years to "I can help Drug Court" fundraising program (the Program) as approved by its Marketing Department. The Service District was unaware that the member who joined its Board in 2008 had a substantial economic interest in the Program.
Effect:	The Service District disbursed funds in a prohibited transaction.
Recommendation:	The Service District should assess its processes to prevent future violations. The Service District also should determine if any further actions are required under the Louisiana ethics regulations.
Views of Responsible Officials and Planned Corrective Action:	The Service District inadvertently expended funds in the amount of $1,000 in 2008, 2009 and 2010 to an entity in which a board member had a substantial economic interest. The Service District for several years prior to 2008 had supported this fundraising event as part of its marketing programs and because the program provides intensive drug abuse rehabilitation complementing the Service District's mission. These transactions were for a sponsorship of a specific community related event and not a direct contribution to the entity. The Service District was one of many businesses which supported the events. The Service District will modify its existing procedures of annually confirming related party transactions to specifically include such items as a detective control and will also communicate these regulations to its Board members to prevent a reoccurrence.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year ended December 31, 2009

Finding 2008-1 Energy Savings Contracts

Criteria: The Service District should follow public bid law for the purchase of all movable equipment pursuant to La. R.S. 9:3304.

Condition: In August 2002, the Service District entered into a performance contract with a vendor to lease movable equipment. The Service District did not bid the purchase of movable equipment in violation of Louisiana statute.

Recommendation: The Service District's management should review the contract to determine their legal status and appropriate claims or amendments to the contract should any be made.

Current Status: Resolved. The performance contract was terminated in 2009.

Other Reports

The Louisiana Legislative Auditor issued Compliance Audit dated July 8, 2009 regarding contractors and professional service providers for the Service District who received more than $250,000 for the period January 1, 2007 through December 31, 2008.